



**Auditor of State
Betty Montgomery**

**AIRPORT AUTHORITY
AUGLAIZE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Airport Authority
Auglaize County
P.O. Box 400
New Knoxville, Ohio 45871

To the Members of the Board:

We have audited the accompanying general-purpose financial statements of the Auglaize County Airport Authority, (the Authority), a component unit of Auglaize County, as of and for the years ended December 31, 2003 and December 31, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Auglaize County Airport Authority, as of December 31, 2003 and December 31, 2002, and the results of its operations and the cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2004, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Betty Montgomery
Auditor of State

May 20, 2004

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**AIRPORT AUTHORITY
AUGLAIZE COUNTY**

**BALANCE SHEET
AS OF DECEMBER 31, 2003 AND 2002**

	2003	2002
Current Assets:		
Cash	\$35,114	\$18,109
Accounts Receivable	7,577	6,153
Fuel Inventory	17,430	19,139
Total Current Assets	60,121	43,401
Fixed Assets:		
Furniture and Equipment	387,533	370,628
Less: Accumulated Depreciation	(297,023)	(280,711)
Total Fixed Assets	90,510	89,917
Total Assets	150,631	133,318
Current Liabilities:		
Accounts Payable	5,570	6,444
Deferred Hanger Revenue	15,505	16,795
Total Liabilities	21,075	23,239
Fund Equity and Other Credits:		
Retained Earnings	123,289	102,212
Contributed Capital	6,267	7,867
Total Fund Equity and Other Credits	129,556	110,079
Total Liabilities, Fund Equity and Other Credits	\$150,631	\$133,318

The notes to the financial statements are an integral part of this statement.

**AIRPORT AUTHORITY
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

	2003	2002
Operating Revenues:		
Charges for Services	\$169,578	\$129,487
Intergovernmental Revenue	22,500	22,500
Other	1,333	881
Total Operating Revenues	193,411	152,868
Operating Expenses:		
Contract Services	131,418	119,455
Materials and Supplies	88,617	60,040
Interest Expense	5	407
Other	3,385	3,664
Depreciation	16,311	15,850
Total Operating Expenses	239,736	199,416
Operating Income (Loss)	(46,325)	(46,548)
Non-Operating Revenues (Expenses):		
Investment Income	109	394
Donations	3,000	3,000
Other Non-Operating Revenues	62,693	23,113
Total Non-Operating Revenues (Expenses)	65,802	26,507
Net Income (Loss)	19,477	(20,041)
Depreciation on Fixed Asset Acquired by Contributed Capital	1,600	1,600
Retained Earnings - Beginning of Year	102,212	120,653
Retained Earnings - End of Year	123,289	102,212
Contributed Capital Beginning of Year	7,867	9,467
Depreciation on Fixed Asset Acquired by Contributed Capital	(1,600)	(1,600)
Contributed Capital - End of Year	6,267	7,867
Total Fund Equity - End of Year	\$129,556	\$110,079

The notes to the financial statements are an integral part of this statement.

**AIRPORT AUTHORITY
AUGLAIZE COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

	2003	2002
Cash Flows from Operating Activities:		
Cash Received from Customers	\$168,197	\$127,771
Cash Payments to Suppliers for Goods and Services	(222,589)	(187,727)
Other Operating Revenues	22,500	22,500
Net Cash Used for Operating Activities	(31,892)	(37,456)
Cash Flows from Noncapital Financing Activities:		
Miscellaneous Non-Operating Revenue	24,120	11,766
Net Cash Provided by Noncapital Financing Activities	24,120	11,766
Cash Flows from Capital and Related Financing Activities:		
Capital Lease Payments		(14,579)
Master Plan Reimbursement	41,573	14,347
Acquisition of Capital Assets	(16,905)	(5,000)
Net Cash (Used) for Capital Financing Activities	24,668	(5,232)
Cash Flows from Investing Activities:		
Cash Received from Interest	109	394
Net Cash Provided by Investing Activities	109	394
Net Increase (Decrease) in Cash	17,005	(30,528)
Cash at Beginning of Year	18,109	48,637
Cash at End of Year	35,114	18,109
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:		
Operating Loss	(46,325)	(46,548)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:		
Depreciation	16,311	15,850
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(1,423)	(2,465)
Increase (Decrease) in Accounts Payable	(874)	1,144
Increase (Decrease) in Inventory	1,709	(4,987)
(Decrease) in Deferred Hanger Revenue	(1,290)	(450)
Net Cash Used for Operating Activities	(\$31,892)	(\$37,456)

The notes to the financial statements are an integral part of this statement.

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**AIRPORT AUTHORITY
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. DESCRIPTION OF THE ENTITY

The Auglaize County Airport Authority, (the Authority), is organized in accordance with Chapter 308 of the Ohio Revised Code. The Authority was established in 1967 and is responsible for administering and maintaining the Neil Armstrong Airport.

The Authority operates under a nine member board appointed by the Auglaize County Commissioners for terms of three years. Services provided by the Authority include rental space of hangars, display cases, and office space; they also supply aviation fuel. In addition, they act upon various inquiries made concerning the welfare of the airport.

The Authority is considered a component unit of Auglaize County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles for governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. The operations of the Authority are accounted for using proprietary fund accounting. The Authority applies Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989, provided they do not conflict with or contradict GASB pronouncements.

A. Accounting System

The Authority maintains its own set of accounting records. These financial statements were prepared from the accounts and financial records of the Authority and, accordingly, these financial statements do not present the financial position or results of operations of Auglaize County.

B. Revenue and Expenditure Recognition

The Authority maintains its fund as a proprietary type fund. Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components.

Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

The Authority reports deferred revenues on its balance sheet. Deferred revenues arise when potential revenue meets the asset recognition criteria, but does not meet the revenue recognition criteria. In the subsequent period, when the revenue recognition criteria is met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized. Hanger rent paid in advance is not considered earned until subsequent years.

**AIRPORT AUTHORITY
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash

To improve cash management, all cash received by the Authority is pooled in a central bank account, and is presented as Cash on the balance sheet. During fiscal years 2003 and 2002, the Authority invested in interest bearing checking accounts.

D. Fixed Assets and Depreciation

Equipment and improvements are stated at cost except for donated equipment, which is stated at fair market value at the date of receipt. Depreciation of fixed assets is on a straight line basis over the estimated useful lives (five to twenty years) of the respective assets. The Authority maintains a capitalization threshold of \$2,500. The land and buildings of the airport are owned by Auglaize County. The equipment and runway improvements are the assets of the Airport Authority.

E. Inventory

Inventory consists of aviation fuel and oil for sale to customers and is stated at cost, which is determined on a first-in, first-out basis. The cost of inventory is recorded as an expense when purchased.

3. EQUITY IN POOLED CASH

Cash on Hand: At December 31, 2003 and 2002, the Authority had \$100 in undeposited cash on hand which is included on the Balance Sheet as part of Cash.

Deposits: At December 31, 2003, the carrying amount of the Authority's deposits was \$35,014 and the bank balance was \$28,153, and on December 31, 2002, the carrying amount of the Authority's deposits was \$18,009 and the bank balance was \$18,009. For both years, the bank balance was covered by federal depository insurance.

4. RECEIVABLES

Receivables, at December 31, 2003 and 2002 consisted of accounts for the rental of hanger space and display cases and for the sale of fuel.

5. FIXED ASSETS

A summary of the fixed assets at December 31 is as follows:

	2003	2002
Equipment	\$387,533	\$370,628
Less Accumulated Depreciation	<u>(297,023)</u>	<u>(280,711)</u>
Net Fixed Assets	<u>\$ 90,510</u>	<u>\$ 89,917</u>

**AIRPORT AUTHORITY
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. CONTRIBUTED CAPITAL

The change in the Airport Authority's contributed capital at December 31 is as follows:

	2003	2002
Balance January 1,	\$ 7,867	\$ 9,467
Depreciation on Contributed Capital	<u>(1,600)</u>	<u>(1,600)</u>
Balance December 31,	<u>\$ 6,267</u>	<u>\$ 7,867</u>

7. RISK MANAGEMENT

The Authority has obtained commercial insurance through XL Specialty Group for coverage on hangar keeper's liability insurance in the amount of \$1,000,000; operations and products liability insurance in the amount of \$1,000,000; comprehensive general liability insurance coverage on the premises in the amount of \$1,000,000; and inland marine insurance coverage in the amounts listed in the policy. The Authority also contracted with Auto-Owners (Mutual) Insurance Company for coverage on vehicles in the amount of \$500,000.

Auglaize County Commissioners provide property coverage for the buildings and structures of the Airport Authority by including these in the County's property coverage policy.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in insurance coverage from the last fiscal year.

8. CAPITALIZED LEASE

During fiscal year 1999, the Authority entered into a capitalized lease for a tractor that met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "*Accounting for Leases*," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Fixed assets acquired by lease have been capitalized in the proprietary fund in the amount of \$44,921 which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded. The lease was paid in full during 2002 and there are no additional outstanding capitalized leases as of December 31, 2003.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Airport Authority
Auglaize County
P.O. Box 400
New Knoxville, Ohio 45871

To the Members of the Board:

We have audited the financial statements of the Auglaize County Airport Authority, (the Authority), as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated May 20, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Authority in a separate letter dated May 20, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Authority in a separate letter dated May 20, 2004.

Airport Authority
Auglaize County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
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This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 20, 2004



**Auditor of State
Betty Montgomery**

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AIRPORT AUTHORITY

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 6, 2004**